

EXHIBIT A

**REPORT TO THE BOARD OF SUPERVISORS
ON THE MINOR AMENDMENT TO
THE REDEVELOPMENT PLAN FOR THE
TRANSBAY REDEVELOPMENT PROJECT AREA**

Prepared By:

**The Office of Community Investment and Infrastructure,
as the Successor Agency to the
San Francisco Redevelopment Agency**

March 31, 2015

**REPORT TO THE BOARD OF SUPERVISORS
ON THE MINOR AMENDMENT
TO THE REDEVELOPMENT PLAN FOR THE
TRANSBAY REDEVELOPMENT PROJECT AREA**

INTRODUCTION

The Successor Agency to the Redevelopment Agency of the City and County of San Francisco, commonly known as the Office of Community Investment and Infrastructure (“Successor Agency” or “OCII”), has prepared this Report to the Board of Supervisors (“Report”) on the proposed Minor Amendment to the Redevelopment Plan for the Transbay Redevelopment Project Area (“Minor Amendment”).

The Redevelopment Plan for the Transbay Redevelopment Project Area (“Redevelopment Plan”) already authorizes the development of office uses on specific sites within Zone One of the Transbay Redevelopment Project Area (“Zone One”), but does not provide the appropriate bulk limits for office development. Instead, the bulk controls established in the Redevelopment Plan for Zone One are appropriate for residential buildings. Notably, the Development Controls and Design Guidelines for the Transbay Redevelopment Project (2005) (“Development Controls”), which were adopted by the Redevelopment Agency of the City and County of San Francisco (“Redevelopment Agency”) at the same time that it approved the Redevelopment Plan, provide the appropriate bulk limits for the Zone One office sites. The Minor Amendment would resolve the inconsistency between the Redevelopment Plan and the Development Controls by clarifying that the bulk controls for general office development in Zone One are those based on the C-3-O District (Downtown Office). The Minor Amendment thus makes no substantial change in the authorized land uses under the Redevelopment Plan and merely fulfills the intent of the Board of Supervisors in adopting the ordinances approving the Redevelopment Plan, Ordinance Nos. 124-05 (June 23, 2005) and 99-06 (May 19, 2006).

This Report has been prepared pursuant to the provisions of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq., “CRL”), which govern the land use authority of the Successor Agency under existing redevelopment plans. Section 33457.1 of the CRL describes the information that the Successor Agency must provide to the Board of Supervisors for its consideration of a minor amendment to a redevelopment plan:

“To the extent warranted by a proposed amendment to a redevelopment plan, (1) the ordinance adopting an amendment to a redevelopment plan shall contain the findings required by Section 33367 and (2) the reports and information required by Section 33352 shall be prepared and made available to the public prior to the hearing on such amendment.”

The Minor Amendment proposes technical clarifications that do not substantially change the Redevelopment Plan and therefore the CRL only requires a limited amount of information to be contained in this Report.

DESCRIPTION OF THE MINOR AMENDMENT

Background

The Redevelopment Plan establishes the land use controls for the Transbay Redevelopment Project Area (“Project Area”), and divides the Project Area into two subareas: Zone One, in which the Redevelopment Plan defines land uses, and Zone Two, in which the Planning Code applies. An agreement between the Successor Agency and the Planning Department provides that the Planning Department shall administer generally the Planning Code for development in Zone 2 and acknowledges the authority of the Successor Agency under the Redevelopment Plan to administer and enforce the land use requirements for property in Zone One. Delegation Agreement between the San Francisco Redevelopment Agency and the Planning Department for the Transbay Redevelopment Project Area (May 3, 2005). Zone One consists primarily of former state-owned parcels that the State of California, acting through its Department of Transportation, has transferred to the Transbay Joint Powers Authority (“TJPA”) or the City and County of San Francisco (“City”) under a Cooperative Agreement (July 11, 2003). Under an Option Agreement for the Purchase and Sale of Real Property by and between the City, TJPA, and the Redevelopment Agency (Jan. 31, 2008), the Successor Agency is obligated to acquire and convey parcels in Zone One for private and public development. Both the sales proceeds and future property tax revenues generated by private development in Zone One are committed to funding the Transbay Transit Center.

The Redevelopment Plan and ancillary land use controls, including the Development Controls, already authorize the development of general office uses on specific sites within Zone One. Specifically, Section 3.3.1 of the Redevelopment Plan expressly authorizes the development of general office uses within Zone One in areas (1) north of Howard Street, and (2) north of Folsom Street and west of Ecker Street. This comprises a small area of Zone One, limited to portions of two city blocks, i.e. Blocks 5 and 10, as shown in Figure 1. The Minor Amendment, however, will only affect Block 5. It will not have a practical effect on Block 10, which is located north of Folsom and west of Ecker. The Transbay Redevelopment Project Area Streetscape & Open Space Concept Plan (November 21, 2006) specifies that the western portion of Block 10, which is part of Assessor’s Block 3736, Lot 018, must be developed as open space. The eastern portion of Block 10, Assessor’s Block 3736, Lot 156, is already developed with an office use and has a height limit of 85 feet under the Redevelopment Plan.

The Development Controls (a companion document to the Redevelopment Plan providing detailed land use controls within Zone One) implement the Redevelopment Plan’s authorization for the development of office uses within Zone One and provide additional guidance for the development of Block 5. The Development Controls state that “In the event that the commercial land use alternative is applied to Block Five ... the development density for such development shall be that of the downtown commercial C-3-O district in the Planning Code.”¹ Unfortunately, the Redevelopment Plan contains language imposing inappropriate bulk limits on commercial development in Block 5.

¹ San Francisco Redevelopment Agency, *Development Controls and Design Guidelines for the Transbay Redevelopment Project*, 2005, pgs. 10 and 22.

Purpose of Minor Amendment

The Minor Amendment will update Section 3.5.2 of the Redevelopment Plan, which provides general building height and floor plate requirements. The Minor Amendment will provide that the maximum floor plate sizes for general office buildings in Zone One shall be consistent with the bulk limits permitted by San Francisco Planning Code Sections 270 (Bulk Limits: Measurement) and 272 (Bulk Limits: Special Exceptions in C-3 Districts), as amended from time to time, for development within the C-3-O District (Downtown Office). This Minor Amendment merely corrects the language of the existing Redevelopment Plan for consistency with the Development Controls. In all other respects, the land use controls of the Redevelopment Plan for Zone One will remain in effect.

As described above, the entire block bounded by Natoma, Howard, Beale and Main Streets (“Block 5”) is the only undeveloped block in Zone One that would be affected by the Minor Amendment; the other undeveloped blocks in Zone One are planned for residential, mixed-use, or open space. Refer to Figure 1 for the location of Block 5. The Development Controls include two alternative scenarios for Block 5, residential development or commercial development. The Development Controls further provide that the commercial development alternative may be exercised if the Successor Agency determines that economic conditions create a strong preference for commercial development over residential development. OCII has determined that a general office building consistent with the goals of the Redevelopment Plan is the preferred scenario on a portion of the publicly owned land on Block 5, with the required public open space to be built on publicly owned land near the general office building. Refer to Figure 2 for the locations of the general office building (Parcel N1) and the open space on publicly owned land (Parcels N3 and M1).

SCOPE OF THE REPORT

In accordance with Section 33457.1 of the CRL, this Report contains only the information required by Section 33352 of the CRL that is warranted by the Minor Amendment. Because the Minor Amendment as described above is limited to the clarification of bulk controls applicable to general office development in Zone One of the Project Area and affecting only one currently-undeveloped block, the contents of this Report are limited to the following:

- The reason for the Minor Amendment (subsection (a) of Section 33352 of the CRL);
- Description of how the Minor Amendment will improve or alleviate blighting conditions (subsection (b) of Section 33352 of the CRL);
- The proposed method of financing the redevelopment of the Project Area as applicable to the Minor Amendment (subsection (e) of Section 33352 of the CRL);
- The Planning Department’s determination regarding conformity of the Minor Amendment to the General Plan, as required by Section 4.105 of the San Francisco Charter;
- The report on the environmental review required by Section 21151 of the Public Resources Code as applicable to the Minor Amendment (subsection (k) of Section 33352 of the CRL); and
- The neighborhood impact report (subsection (m) of Section 33352 of the CRL).

FIGURE 1 – Blocks Authorized for Development of General Office Uses within Zone One

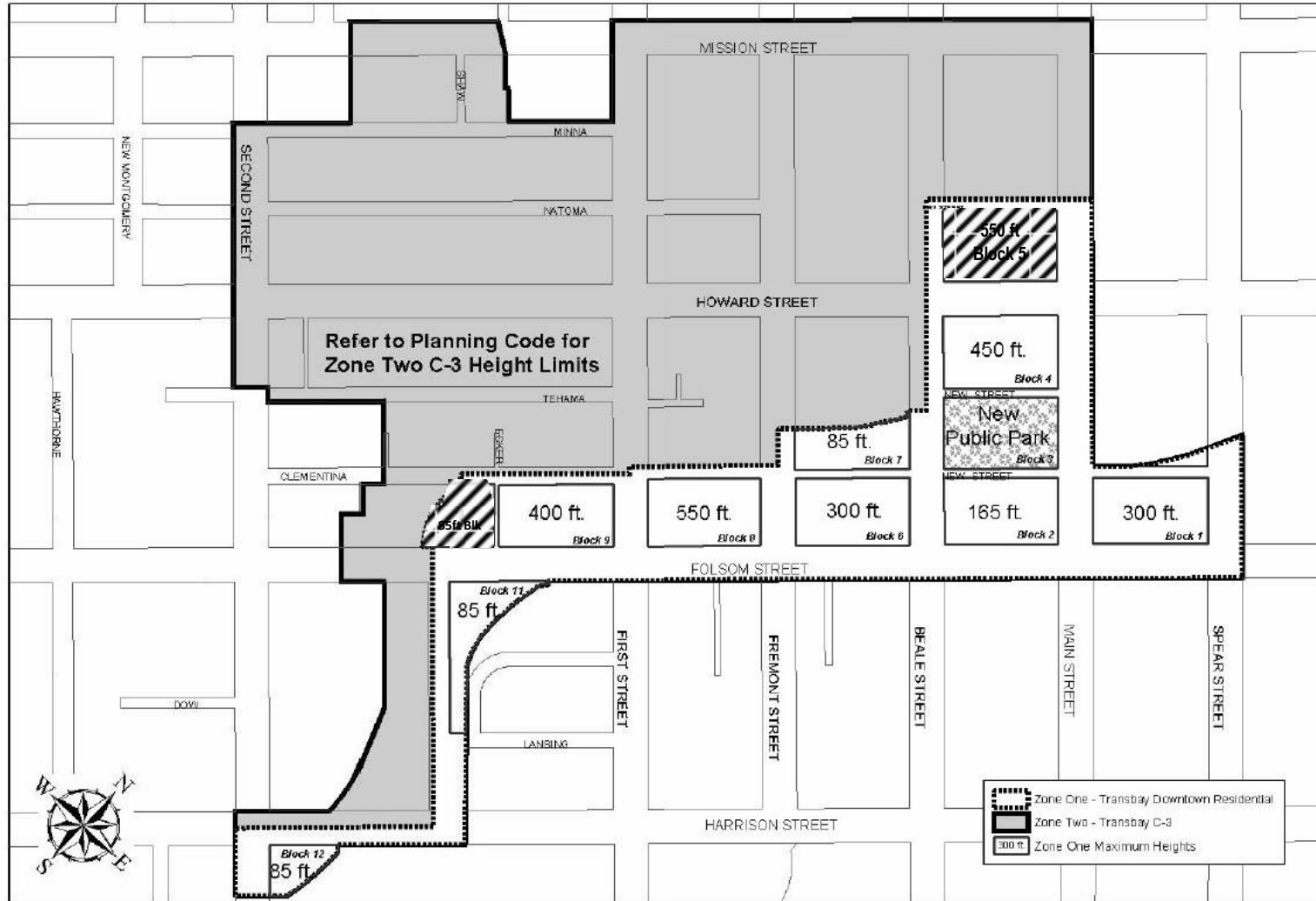
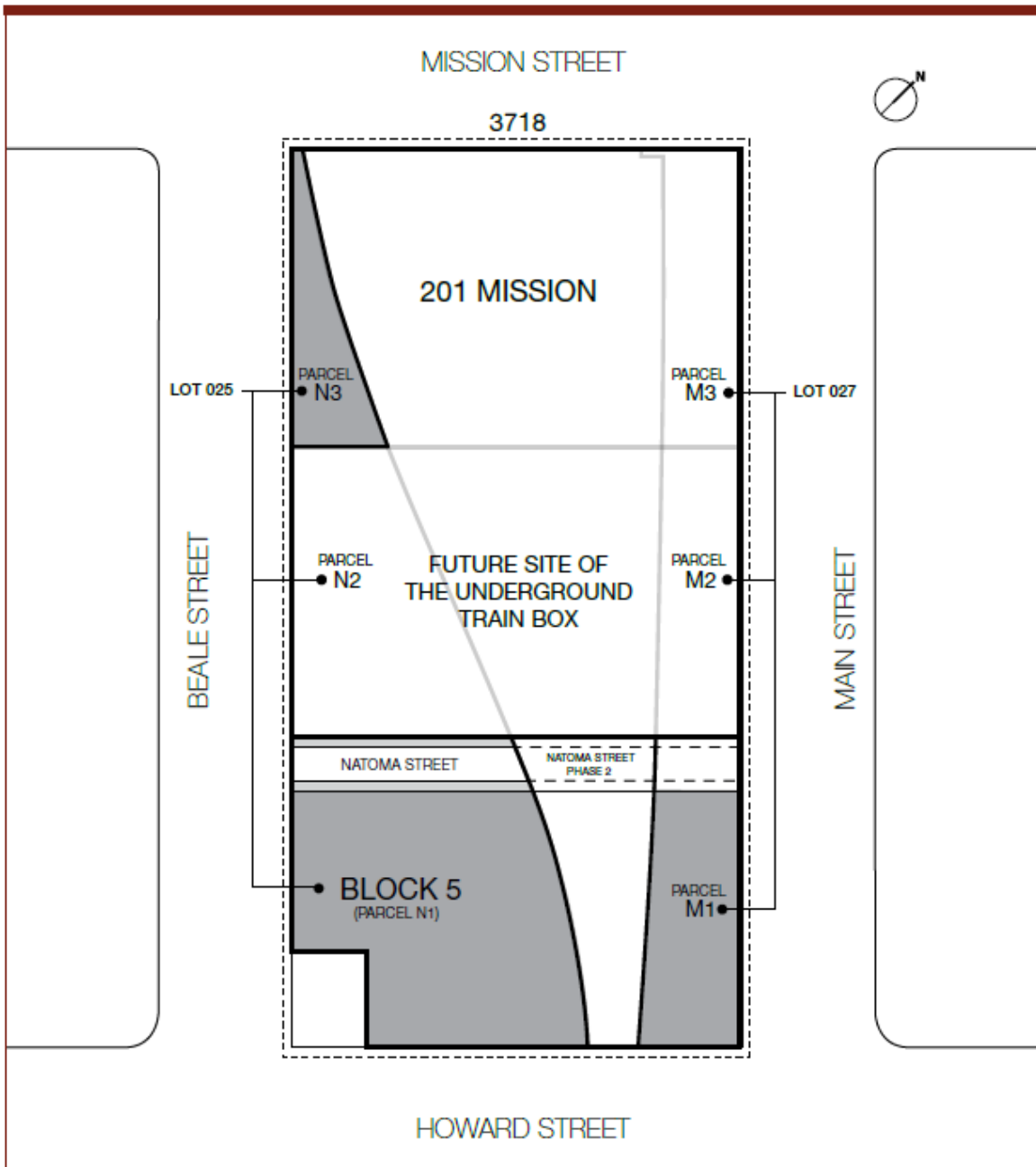


Figure 2 – Transbay Block 5 (Assessor’s Block 3718)



The Minor Amendment does not alter the Project Area boundaries, change financing limits, extend the Redevelopment Plan's duration or add significant projects. In approving the Redevelopment Plan in 2005 and 2006, the former Redevelopment Agency and the Board of Supervisors relied on information about the conditions of physical and economic blight within the Project Area, the need for tax increment financing to carry out redevelopment in the Project Area, and other factors justifying the establishment of the Project Area. The Minor Amendment does not alter the blight and financial determinations made at the time the Project Area was originally adopted, but rather provides an effective approach for alleviating blight and promoting the financial feasibility of the Redevelopment Plan.

Section 33385 of the CRL did not require the formation of a Project Area Committee ("PAC") prior to the adoption of the Redevelopment Plan because a substantial number of low- and moderate-income households did not reside in the Project Area and the Redevelopment Plan provided neither the public acquisition of residential property nor public projects that would displace a substantial number of low- and moderate- income persons. The Minor Amendment does not trigger the need for a PAC because it does not provide for the acquisition of, or the authorization of public projects on, property occupied by low- and moderate-income persons.

The Minor Amendment does not contemplate changes in the specific goals, objectives or expenditures of OCII for the Project Area.

THE REASON FOR THE MINOR AMENDMENT (CRL §33352(a))

The purpose of the Minor Amendment is to facilitate, on Block 5 of the Project Area, general office use that was already permitted under the Redevelopment Plan. See Section 3.3.1 of the Redevelopment Plan (permitting general office uses in Zone 1 north of Folsom Street). The following Redevelopment Project Objectives, as described in Section 2.1 of the Redevelopment Plan, would be furthered by the adoption of the Minor Amendment:

- A. Eliminating blighting influences;
- D. Replanning, redesigning and developing undeveloped and underdeveloped areas that are improperly utilized;
- E. Providing flexibility on the development of the Project Area to respond readily and appropriately to market conditions; and
- H. Strengthening the economic base of the Project Area and the community by strengthening commercial functions in the Project Area.

DESCRIPTION OF HOW THE MINOR AMENDMENT WILL IMPROVE OR ALLEVIATE BLIGHT (CRL §33352(b))

As originally described in the 2005 Report on the Redevelopment Plan for the Transbay Redevelopment Project, the Project Area exhibited substantial and prevalent blighting conditions as defined under the CRL. Although significant improvements have occurred in the Project Area, most of Block 5 remains undeveloped and is currently used for surface parking and storage. The

Minor Amendment will alleviate the adverse physical and economic conditions on Block 5 by maximizing developable square feet, creating an efficient and leasable general office building, and maintaining the desired neighborhood characteristics.

PROPOSED METHOD OF FINANCING / ECONOMIC FEASIBILITY OF AMENDMENT (CRL §33352(e))

The Minor Amendment does not propose any new capital expenditures by OCII, involve any new indebtedness or financial obligation of OCII, or change OCII's overall method of financing the redevelopment of the Project Area. Rather, private enterprise will finance the commercial development on Block 5. Existing agreements require the TJPA to convey a portion of Block 5 to OCII for development and pledge the sales proceeds and future tax increment from the site to the TJPA's construction of the Transbay Transit Center. See the Option Agreement (2008) and Transbay Redevelopment Project Tax Increment Allocation and Sales Proceeds Pledge Agreement (2008) by and between the City and County of San Francisco, TJPA, and Redevelopment Agency. OCII will continue, however, to use tax increment revenue and funds from all other available sources to carry out its enforceable obligations to pay for the costs of public infrastructure in the Project Area. The change in bulk restrictions applicable to general office development is intended to maximize developable square feet and create an efficient and leasable general office building, which would generate more property taxes and consequently more tax increment than the existing, undeveloped conditions.

REPORT OF THE PLANNING COMMISSION/DEPARTMENT (CRL §33352(h))

Neither the CRL nor local law requires formal Planning Commission review for a minor, technical redevelopment plan amendment that is consistent with the General Plan. Cal. Health & Safety Code § 33453; San Francisco Administrative Code § 2A.53 (e). OCII has referred the Minor Amendment to the Planning Department for its report regarding conformity of the Minor Amendment with the General Plan in accordance with the requirements of Section 4.105 of the San Francisco Charter and Section 2A.53 of the Administrative Code. The Planning Department's determination regarding conformity of the Minor Amendment to the General Plan will be incorporated in a supplemental report to the Board of Supervisors upon receipt.

ENVIRONMENTAL REVIEW (CRL §33352(k))

The Board of Supervisors of the City and County of San Francisco affirmed, by Motion No. 04-67 (June 15, 2004), the certification of the Final Environmental Impact Statement/Environmental Impact Report ("FEIS/EIR") for the Transbay Terminal/Caltrain Downtown Extension/Redevelopment Project ("Project"), which included the Redevelopment Plan. Subsequently, the Board of Supervisors adopted, by Resolution No. 612-04 (Oct. 7, 2004), findings that various actions related to the Project complied with the California Environmental Quality Act. The FEIS/EIR expressly contemplated the development of commercial office and hotel uses within the Redevelopment Project Area, including up to 848,435 square feet of mixed-use office and retail development on Block 5 of Zone One.² With assistance from the Planning

² FEIS/EIR, pg. 2-47.

Department, OCII has reviewed the FEIS/EIR and the Minor Amendment and determined that development resulting from the Minor Amendment requires no additional environmental review pursuant to State CEQA Guidelines Sections 15180, 15168, 15162, and 15163. All environmental effects of the Minor Amendment have been considered and analyzed in the prior environmental FEIS/EIR, and FEIS/EIR Addenda Nos. 1 through 6.

NEIGHBORHOOD IMPACT REPORT (CRL §33352(m))

At the time of Redevelopment Plan adoption, the Project Area did not contain low- or moderate-income housing. Since then, the Successor Agency has started implementing the affordable housing requirements under Assembly Bill No. 812 (Chapter 99, Statutes of 2003, codified at California Public Resources Code Section 5027.1) (“AB 812”). These requirements are incorporated into existing enforceable obligations that survived the dissolution of the Redevelopment Agency. Under the obligation, at least 25 percent of all dwelling units developed within the Project Area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 60 percent of the area median income, and an additional 10 percent of all dwelling units developed within the Project Area shall be available at affordable housing cost to, and occupied by, persons and families whose incomes do not exceed 120 percent of the area median income (the “Transbay Affordable Housing Obligation”).

The anticipated number of housing units to be built in the Project Area is approximately 3,849 units, of which 1,399 (or 36 percent) will be affordable. The means of financing the low- and moderate-income housing units are tax increment financing, revenue from the sales of public properties within the Project Area, and development fees.

Currently, one affordable housing project consisting of 120 units that the former Redevelopment Agency funded and approved, by Resolution No. 10-2011 (Feb. 15, 2011) has been completed and is now occupied by formerly homeless households at 25 Essex Street in the Project Area. The Minor Amendment, by facilitating office development at a site already designated for this use, will not adversely affect the physical and social quality of the neighborhood. The Minor Amendment will not cause the destruction or removal of housing units from the low- and moderate-income housing market and will not cause the displacement of low- or moderate-income.

Moreover, the office development will be subject to the Jobs-Housing Linkage Program, as described in Section 5.9.2 of the Redevelopment Plan and Section 413 of the Planning Code, and will provide significant funding for the development of affordable housing in the Project Area.