



September 12, 2024

TO: Whom It May Concern

FROM: Andrico Q Penick, Director of Property

RE: Opinion of Value and Recommendation for No Cost Transfer — Aerial and Bridge Easement Above Natoma Street Between 1st and 2nd Streets Transbay Transit Center and 524-530 Howard Street

I have been requested to provide an opinion of fair market value and recommendation for no cost transfer of the fee simple interest of a permanent aerial easement ("Aerial Easement") and a bridge easement ("Bridge Easement") together the "Vacation Area". The Aerial Easement is 20.5 feet long and 20 feet wide totaling 410 square feet, with an elevation of 100 feet. In total, the Aerial Easement is 41,000 cubic feet.

The Aerial Easement will be used to construct a skybridge between a proposed tower development on 524-530 Howard Street which is situated on the south side of Natoma Street and a rooftop park atop the Salesforce Transbay Transit Center, which is situated on the north side of Natoma Street. The 524-530 Howard Street project is a new residential building containing about 670 dwelling units and 818,922 gross square feet of residential use.

The surface of Natoma Street will remain functioning streets subject to the Aerial Easement and Bridge Easement. The City proposes to convey the Vacated Area to the TJPA in fee simple. TJPA and the City have agreed that a quitclaim deed would be the appropriate method of conveyance. TJPA has requested that I recommend to the Board of Supervisors that these conveyances occur for a nominal sale price of \$1.00.

Under San Francisco Administrative Code Section 23.3, City property may be conveyed for a price below fair market value "where the Board determines that (i) a lesser sum will further a proper public purpose . . ." The safe and efficient operation of the Transbay Transit Center and its rooftop park is clearly a proper public purpose for the following reasons:

1. The Transit Center will encourage and facilitate the use of public transportation by connecting local and regional transportation networks of buses, rail, transit, commuter rail and high-speed rail. The Transit Center offers access to Muni, AC Transit, SamTrans, Golden Gate Transit, Greyhound, and BART.
2. The Transbay Transit Center Program conforms to the principles of transit-oriented development - locating public transit as close as possible to housing,

employment, shopping, education, hotels, convention centers, museums, and parks.

3. In June 2005, the City's Board of Supervisors approved the Transbay Redevelopment Plan. The Plan will provide for the revitalization of the Transbay neighborhood focused on the new Transit Center. Under the Plan, the Redevelopment Agency will convey property received from Caltrans to develop 2,600 new housing units, a third of which will be affordable, and parks and other infrastructure.

4. In August 2012, the City's Board of Supervisors approved the Transit Center District Plan, also focused on the new Transit Center, rezoning the area to increase building heights and the development of millions of square feet of offices and additional housing. The Redevelopment Plan and Transbay District Plan will allow San Francisco to create a model of transit-oriented development for the City and beyond.

The benefits to the City of transit-oriented development are, among other things, creation of thousands of jobs, reduction in greenhouse gas emissions, reduction in traffic congestion, improved air quality, and safer and more livable neighborhoods. Accordingly, conveyance of the Vacated Area to the TJPA without substantial costs to the TJPA will help realize this vital public project.

In addition, and in accordance with the terms of an easement agreement between TJPA and the developer of the proposed tower development on 524-530 Howard Street, the developer will design and construct the contemplated skybridge at no cost to the TJPA (or City). The estimated hard and soft costs for construction and operation of the skybridge is approximately \$5.8 million dollars.

In forming my opinion of value, I have reviewed the Real Estate Evaluation prepared by Colliers International Valuation and Advisory Services ("Appraiser"), dated November 19, 2020, which was prepared for the proposed aerial and bridge vacation over Natoma Street at Parcel F (Board of Supervisors File No. 220708). The Parcel F aerial and bridge vacation area is located on the same block of Natoma Street (between First and Second streets), less than 300 feet in horizontal distance from the proposed Vacation Area.

Given the very close proximity of the two vacation areas and, based on my review and my knowledge of and experience in San Francisco's downtown real estate market, it is my opinion that the Appraiser's 2020 Real Estate Evaluation and my prior opinion regarding the value of the Parcel F aerial and bridge vacation areas remain reliable valuation indicators for the Vacation Area. This opinion is supported by the strong basis for concluding that real estate values in downtown San Francisco have not changed significantly since the fall of 2020.

The Appraiser's Evaluation included comparable land sales indicating an adjusted range in value from \$196.72 to \$260.29 per square foot, with a median of \$208.10 per square foot. I agree with the Appraiser that the total gross adjustment applied to the land comparables ranged from 9% to 41% with an average gross adjustment of 26% across all the comparables.

Based upon my review and my knowledge and experience in the real estate market, it is my opinion that the above-mentioned easements have the following fair market value:

As-Is Market Value of the Aerial Easement \$265,500¹

As-Is Market Value of the Bridge Easement \$265,500

Pursuant to Section 23.3 and for the public purposes described above, I recommend that the City quitclaim its interest in the Vacation Area to the Transbay Joint Powers Authority for a nominal sum of \$1.00 provided that the following conditions are met:

- A. The Vacation Area shall not be conveyed to any party other than the TJPA and its successors except for assignments that the Board of Supervisors may otherwise permit; and
- B. In accordance with Streets and Highways Code Section 8341, the Vacation Area shall terminate and the public right-of-way in the Vacated Area shall be restored if the TJPA abandons the pedestrian bridge use of the Vacated Area.

Sincerely,



Andrico Q. Penick
Director, Real Estate Division

¹ NTD: Derived by applying ratio of Parcel F's 1,575sf of easement area to \$1,020,000 valuation to the 410 sf 530 Howard easement area.