

BOARD of SUPERVISORS



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## MEMORANDUM

TO: Robert Collins, Acting Executive Director, Rent Board  
Olson Lee, Director, Mayor's Office of Housing and Community  
Development  
Tiffany Bohee, Executive Director, Office of Community Investment and  
Infrastructure  
John Rahaim, Director, Planning Department

FROM: Andrea Ausberry, Assistant Clerk  
Land Use and Transportation Committee

DATE: April 27, 2016

SUBJECT: LEGISLATION INTRODUCED

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The Board of Supervisors' Land Use and Transportation Committee has received the following proposed legislation, introduced by Mayor Lee on April 19, 2016.

**File No. 160388**

Resolution approving an option agreement for the potential sale of Transbay Block 4 (the northern one-third of the block bounded by Beale, Howard, Main, and Folsom Streets) by the Successor Agency to the San Francisco Redevelopment Agency to F4 Transbay Partners, LLC, a Delaware limited liability company, for \$45,000,000; and making findings under Health and Safety Code, Section 33433.

If you have comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or by email at: [andrea.ausberry@sfgov.org](mailto:andrea.ausberry@sfgov.org)

c: Sophie Hayward, Mayor's Office of Housing and Community Development  
Eugene Flannery, Mayor's Office of Housing and Community Development  
Natasha Jones, Commission on Community Investment and Infrastructure  
Claudia Guerra, Commission on Community Investment and Infrastructure  
Aaron Starr, Acting Manager of Legislative Affairs  
Scott Sanchez, Zoning Administrator  
Sarah Jones, Chief, Major Environmental Analysis  
AnMarie Rodgers, Legislative Affairs  
Jeanie Poling, Environmental Planning  
Joy Navarrete, Environmental Planning

1 [Option Agreement - Sale of Transbay Block 4 - F4 Transbay Partners, LLC - \$45,000,000]

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3 **Resolution approving an option agreement for the potential sale of Transbay Block 4**  
4 **(the northern one-third of the block bounded by Beale, Howard, Main, and Folsom**  
5 **Streets) by the Successor Agency to the San Francisco Redevelopment Agency to**  
6 **F4 Transbay Partners, LLC, a Delaware limited liability company, for \$45,000,000; and**  
7 **making findings under Health and Safety Code, Section 33433.**

8

9 WHEREAS, Pursuant to the Redevelopment Plan for the Transbay Redevelopment  
10 Project Area, as adopted by Ordinance No. 124-05 (June 23, 2005) and by Ordinance  
11 No. 99-06 (May 19, 2006) (“Redevelopment Plan”), the Board of Supervisors of the City and  
12 County of San Francisco, as the legislative body for the City and County of San Francisco,  
13 shall approve the sale or lease of certain parcels by the Successor Agency to the  
14 Redevelopment Agency of the City and County of San Francisco, commonly known as the  
15 Office of Community Investment and Infrastructure (“OCII”), under the standards of Section  
16 33433 of California’s Health and Safety Code (“Health and Safety Code”); and

17 WHEREAS, The Redevelopment Plan divides the Transbay Redevelopment Project  
18 Area into two sub-areas: Zone One, in which the Development Controls and Design  
19 Guidelines for the Transbay Redevelopment Project (“Development Controls”) define the  
20 development standards, and Zone Two, in which the San Francisco Planning Code applies  
21 through a delegation agreement with the Planning Department; and

22 WHEREAS, In 2003 the State of California Legislature enacted Assembly Bill 812  
23 (“AB 812”) authorizing the demolition of the then-existing Transbay Terminal building and the  
24 construction of the new Transbay Transit Center (the “Transit Center”) (Stat. 2003, Chapter  
25 99, codified at Section 5027.1 of the California Public Resources Code) and requiring 25% of

1 the residential units developed in the project area be for low income households and an  
2 additional 10% for moderate income households (the “Transbay Affordable Housing  
3 Obligation”); and

4 WHEREAS, In 2003, the Transbay Joint Powers Authority (“TJPA”), the City, and the  
5 State of California entered into a cooperative agreement under which the State agreed to  
6 transfer to the City or TJPA certain State-owned parcels (“State-owned Parcels”) near the  
7 Transit Center, and the City committed net property tax increment from the State-owned  
8 parcels for development of the Transit Center and Project Area infrastructure (the  
9 “Cooperative Agreement”); and

10 WHEREAS, In 2005, the TJPA and the Redevelopment Agency of the City and County  
11 of San Francisco (the “Former Agency”) entered into an agreement to facilitate the  
12 implementation of the Redevelopment Plan (“Implementation Agreement”), with the Former  
13 Agency taking the lead role in facilitating development of the State-owned Parcels; and

14 WHEREAS, Specifically, the Implementation Agreement required the Former Agency  
15 to (1) prepare and sell the State-owned Parcels to third parties, (2) deposit the sales proceeds  
16 into a trust account to help finance the Transit Center and infrastructure, (3) implement the  
17 Redevelopment Plan, and (4) fund the Transbay Affordable Housing Obligation; and

18 WHEREAS, In 2008, the City, the Former Agency and the TJPA entered into an  
19 agreement to give the Former Agency options to acquire the State-owned Parcels, arrange for  
20 disposition and development of the State-owned Parcels, and distribute the net property tax  
21 increment to the TJPA for the Transit Center (“2008 Option Agreement”); and

22 WHEREAS, The 2008 Option Agreement provided the means by which the Former  
23 Agency could fulfill its obligations under the Implementation Agreement to prepare and sell the  
24 State-owned parcels and to ensure satisfaction of the Transbay Affordable Housing  
25 Obligation; and

1           WHEREAS, On February 1, 2012, the Former Agency was dissolved pursuant to the  
2 provisions of California State Assembly Bill No. 1X 26 (Chapter 5, Statutes of 2011-12, First  
3 Extraordinary Session) (“AB 26”), codified in relevant part in Health and Safety Code,  
4 Sections 34161–34168 and upheld by the California Supreme Court in California  
5 Redevelopment Assoc. v. Matosantos, No. S194861 (Dec. 29, 2011); and

6           WHEREAS, On June 27, 2012, AB 26 was subsequently amended in part by California  
7 State Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) (“AB 1484”); and

8           WHEREAS, Together, AB 26 and AB 1484, are primarily codified in Sections 34170 et  
9 seq. of the Health and Safety Code, which sections, as amended from time to time, are  
10 referred to as the “Redevelopment Dissolution Law;” and

11           WHEREAS, Pursuant to the Redevelopment Dissolution Law, all of the Former  
12 Agency’s assets (other than certain housing assets) and obligations were transferred to OCII;  
13 and

14           WHEREAS, Block 4 is an approximately 45,375 square foot parcel, which is the  
15 northern one-third of the block bounded by Howard Street to the North, Main Street to the  
16 East, Beale Street to the West, and the future Tehama Street to the South (APN 3739-008),  
17 one block south of the Transit Center, and is generally known as 200 Main Street; and

18           WHEREAS, The TJPA is currently using Block 4 for a temporary bus terminal (the “Temporary  
19 Terminal”); and

20           WHEREAS, The TJPA will close the Temporary Terminal when the Transit Center is  
21 completed and bus traffic is transferred to the Transit Center; and

22           WHEREAS, Under the Redevelopment Plan and the Development Controls, Block 4 is  
23 planned for residential development permitting a tower up to 450’, two mid-rise podium  
24 buildings up to 85’ and 65’ respectively, and low-rise townhouses up to 50’, situated around  
25 shared open space and on top of shared parking; and

1 WHEREAS, Block 4 will include both market rate and affordable units, and will be relied upon  
2 to ensure that OCII meets the 35% Transbay Affordable Housing Obligation for the whole  
3 Project Area; and

4 WHEREAS, Based on Zone 1 unit totals and projections of private residential  
5 development in Zone 2, OCII estimates that Block 4 may need to include over 50% of its units  
6 as affordable in order to meet the Transbay Affordable Housing Obligation; and

7 WHEREAS, Parcel F is another State-owned parcel, located in Zone 2 under planning  
8 jurisdiction as delegated by OCII, and is currently owned by the TJPA; and

9 WHEREAS, Parcel F is adjacent to the western end of the Transit Center site, between  
10 Howard and Natoma Streets; and

11 WHEREAS, In 2015, the TJPA requested that OCII cancel its right to acquire Parcel F under  
12 the 2008 Option Agreement in order to allow the TJPA to hold an auction of the site to  
13 generate maximum proceeds for the Transit Center; and

14 WHEREAS, The TJPA ultimately canceled the auction, and in late 2015 began  
15 negotiations with the pre-qualified development teams to sell Parcel F; and

16 WHEREAS, One of those pre-qualified development teams, Urban Pacific  
17 Development, LLC, created F4 Transbay Partners, LLC along with Hines F4 Associates  
18 Limited Partnership, and Broad Street Principal Investments, LLC, an affiliate of Goldman  
19 Sachs (collectively, the "Developer"), and submitted an offer to the TJPA to purchase both  
20 Parcel F and Block 4; and

21 WHEREAS, On March 10, 2016, the TJPA Board of Directors approved a purchase  
22 and sale agreement for Parcel F with the Developer for \$160,000,000 (the "Parcel F Purchase  
23 Price"), and the Developer submitted a \$10,000,000 good faith deposit; and

24 WHEREAS, Receipt of the Parcel F Purchase Price will enable the TJPA to pay off its  
25 \$171,000,000 bridge loan with Goldman Sachs and to immediately draw down on a

1 \$171,000,000 federal TIFIA loan, which is needed to continue work on and complete  
2 construction of the Transit Center; and

3 WHEREAS, A condition of the Developer’s obligation to close on Parcel F is the receipt  
4 of final approvals for an option agreement between OCII and the Developer for Block 4, a  
5 copy of which is on file with the Clerk of the Board in File No. \_\_\_\_\_ (the “Block 4  
6 Option Agreement”); and

7 WHEREAS, The Block 4 Option Agreement provides the Developer with an exclusive  
8 right to negotiate for a disposition and development agreement (“DDA”), but provides that  
9 OCII has the sole and absolute discretion to consider all terms and conditions of the DDA,  
10 other than the purchase price for the land, including, but not limited to, the following: (i) the  
11 affordable housing program for Block 4, including the percentage of affordable housing units  
12 required for a housing development project on Block 4, the types and affordability levels for  
13 the units, the tenure of the units, and all other terms of the affordability of the units; (ii) OCII’s  
14 selection of a qualified non-profit housing developer to partner with the Buyer, or develop on  
15 its own, some or all of the affordable units required for Block 4; (iii) a community benefits  
16 program designed to implement the requirements and objectives of the Redevelopment Plan,  
17 including the provision of housing for households displaced by the previous actions of the  
18 Redevelopment Agency, the adoption and implementation of programs that meet or exceed  
19 City policies regarding workforce development, contracting opportunities and equal  
20 opportunity, particularly for economically disadvantaged San Francisco residents and  
21 businesses, and the provision of community-serving space and commercial space that is  
22 available to local non-profit organizations and businesses at below-market rates; (iv) a  
23 schedule of performance and outside dates for completion; (v) design of the Block 4 Project  
24 consistent with the Redevelopment Plan, the Transbay Development Controls and Design  
25 Guidelines, and the Transbay Affordable Housing Obligation; (vi) conditions of closing;

1 (vii) insurance and indemnification requirements; and (viii) the remedies of the parties; and

2 WHEREAS, The Block 4 Option Agreement also provides that the Developer would  
3 subsidize at least 45% of the units as affordable units, without any public or OCII subsidy; and

4 WHEREAS, The Block 4 Option Agreement requires the Developer to deposit, within  
5 30 days of its effective date, Five Hundred Thousand Dollars (\$500,000) in cash for use by  
6 OCII for staff and other costs relating to the Block 4 Option Agreement and DDA negotiations,  
7 and for marketing and outreach to persons who were displaced by the activities of the Former  
8 Agency and are eligible for OCII's Certificate of Preference Program, including a survey of  
9 Certificate holders to aid OCII in evaluating how best to meet their needs; and

10 WHEREAS, If a DDA is successfully negotiated and approved, the Developer would  
11 have the right to purchase Block 4 for (1) \$45,000,000, or (2) a price determined by  
12 negotiation with OCII after the parties have agreed on all terms of the DDA except price (the  
13 "Negotiation Option"), or (3) the fair market value of Block 4, taking into account the affordable  
14 housing requirements and the requirements of the DDA, as determined by appraisal ( the  
15 "Appraisal Option"); and

16 WHEREAS, If all other conditions to the closing of Block 4 have been met by June 30,  
17 2018, but OCII is not prepared to transfer Block 4 by that date for any reason including a  
18 delay in the removal of the Temporary Terminal, the purchase price for Block 4 will be  
19 reduced by \$3,000,000 (the "Block 4 Extension Discount"); and

20 WHEREAS, The purchase price of \$45,000,000, subject to the potential Block 4  
21 Extension Discount, or the price resulting from the Negotiation Option or the Appraisal Option,  
22 will become the final purchase price under the Block 4 Option Agreement at the time the DDA  
23 is presented to the OCII Commission for consideration; and

24 WHEREAS, If the price for Block 4 is \$45,000,000 or more, the OCII Commission and  
25 Board of Supervisors will have previously approved the price; and

1           WHEREAS, If the purchase price is determined through the Developer's election of the  
2 Negotiation Option or the Appraisal Option, the Board of Supervisors will then be required to  
3 make a new finding under Health and Safety Code, Section 33433 that the resulting Block 4  
4 purchase price is not less than the fair market value or fair reuse value for Block 4; and

5           WHEREAS, The Block 4 sales proceeds will be transmitted to the TJPA for the Transit  
6 Center construction; and

7           WHEREAS, The Block 4 Option Agreement is a potential sole source sale of Block 4;  
8 and

9           WHEREAS, To approve the sale of Block 4 without a public bid, the OCII Commission  
10 followed the procedural requirements for notice and public hearing under Section 33431 of the  
11 Health and Safety Code; and

12           WHEREAS, On April 19, 2016 after holding a duly-noticed public hearing, the OCII  
13 Commission approved Resolution No. \_\_\_\_, approving the Block 4 Option Agreement, a copy  
14 of which is on file with the Clerk of the Board in File No. \_\_\_\_\_; and

15           WHEREAS, The Block 4 Option will authorize OCII and the Developer to enter into  
16 exclusive negotiations for the design of a project that will be subsequently reviewed and  
17 considered for approval in the sole and absolute discretion of OCII, and the Block 4 Option  
18 Agreement will not independently result in significant physical effects on the environment; and

19           WHEREAS, Because the Block 4 Option Agreement establishes the sales price for  
20 Block 4, OCII cannot enter into the contract unless the Board of Supervisors determines that  
21 the sales price meets or exceeds the standards for fair market value or fair reuse value in  
22 Health and Safety Code, Section 33433, as incorporated into the Redevelopment Plan  
23 Section 4.7.2; and



1           WHEREAS, The Board of Supervisors held a public hearing on this matter on  
2 \_\_\_\_\_, 2016, and notice of the public hearing was published consistent with Health and  
3 Safety Code, Section 33433; and

4           WHEREAS, OCII prepared and submitted a report consistent with the requirements of  
5 Health and Safety Code, Section 33433, and a summary of the transaction describing the cost  
6 of the Block 4 Option Agreement to OCII, the value of the property interest to be conveyed,  
7 the purchase price and other information, a copy of which is on file with the Clerk of the Board  
8 in File No. \_\_\_\_\_ and was made available for public inspection; now, therefore, be it

9           RESOLVED, That the Board of Supervisors of the City and County of San Francisco  
10 does hereby approve the Block 4 Option Agreement; and, be it

11           FURTHER RESOLVED, That the Board of Supervisors finds that the Block 4 purchase  
12 price of \$45,000,000, subject to the Block 4 Extension Discount, as described in the Block 4  
13 Option Agreement is not less than the fair market value at the highest and best use of the  
14 property in accordance with the Redevelopment Plan, based upon the following: (1)  
15 Developer will subsidize at least 45% of the units as affordable units, without any public or  
16 OCII subsidy, (2) OCII will have sole and absolute discretion to determine the total number  
17 and type of affordable units in the Block 4 project, as well as all other terms in the DDA,  
18 including various workforce and community benefits, but not the sales price, which is  
19 determined by the Block 4 Option Agreement; and (3) once the DDA is finalized and the  
20 affordable housing requirements for Block 4 are set, the purchase price of Block 4 may  
21 decrease under the Negotiation Option or the Appraisal Option, but it cannot decrease to an  
22 amount that is lower than the fair market value or the fair reuse value, and any such decrease  
23 will require the approval of the OCII Commission and the Board of Supervisors under Health  
24 and Safety Code, Section 33433; and, be it

1           FURTHER RESOLVED, If the final purchase price under the Block 4 Option  
2 Agreement remains \$45,000,000 (or \$42,000,000 under the Block 4 Extension Discount), then  
3 no further action is required by the Board of Supervisors in connection with the sale of Block 4  
4 to Developer, but if the final Block 4 purchase price is reduced under the Negotiation Option  
5 or the Appraisal Option, then such final price is subject to the prior review and approval of the  
6 OCII Commission and the Board of Supervisors; and, be it

7           FURTHER RESOLVED, The approval of the Block 4 Option Agreement will enable the  
8 sale of Parcel F and the continuation of construction of the Transit Center, and the proposed  
9 development of Parcel F and Block 4 will assist in the elimination of blight by the development  
10 of vacant property consistent with the Redevelopment Plan; and, be it

11           FURTHER RESOLVED, That the Board of Supervisors hereby authorizes OCII to  
12 execute the Block 4 Option Agreement with the Developer, substantially in the form of the  
13 Block 4 Option Agreement on file with the Clerk of the Board, and to take such further actions  
14 and execute such documents as are necessary and appropriate to implement the Option  
15 Agreement on behalf of OCII.