

**Office of Community
Investment and Infrastructure**
(Successor to the San Francisco
Redevelopment Agency)

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January 28, 2015

33433 Report

This report is submitted consistent with the requirements of Section 33433 of the California Health and Safety Code. Specifically, the Section 33433 states that before any property that was acquired, in whole or in part, with tax increment funds is sold or leased for development, the sale or lease shall first be approved by the legislative body by resolution after a public hearing. The Board of Supervisors is the legislative body for purposes of Section 33433. The property that is the subject of this report was not acquired with tax increment funds. However, the Redevelopment Plan for the Transbay Redevelopment Project Area (“Redevelopment Plan”) requires that the Board of Supervisors shall approve the sale or lease of any property acquired by the Former San Francisco Redevelopment Agency (“Former Agency”) or the Office of Community Investment and Infrastructure (“OCII”), as Successor to the Former Agency, pursuant to the Option Agreement for the Purchase and Sale of Real Property (“Option Agreement”) in a manner consistent with the standards and procedures that govern the disposition of property acquired with tax increment funds and that appear in Section 33433 of the California Health and Safety Code.

On December 16, 2014, the Commission on Community Investment and Infrastructure (“CCII”) approved a disposition and development agreement between OCII and the development team Block 9 Transbay, LLC (“Developer”) for the development of 436 market-rate rental residential units and 109 affordable rental residential units (as defined by households earning up to 50 percent of Area Median Income), along with shared open space and a shared underground parking garage, on the parcel commonly known as Block 9 in the Transbay Redevelopment Project Area (“Project Area”). The Block 9 Transbay team (TMG Partners with Essex Property Trust + BRIDGE Housing) was selected by the Successor Agency after a competitive request for proposals (“RFP”) was issued in September 2012 and proposals were received from a total of three development teams.

Pursuant to Section 33433, a copy of the DDA is included with this report as Attachment 1 and both the DDA and this report have been submitted to the Clerk of the Board and made available for public inspection and copying on January 16, 2015, in advance of the date of the first publication of the notice of the public hearing on January 20, 2015. Below is a summary of the agreement, as required by Section 33433, Subsections (2)(B)(i-v):

(2)(B)(i) The cost of the agreement to the agency, including the land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreement.

The parcel known as Block 9 is currently owned by the State Department of Transportation (“Caltrans”) and will be transferred to the City and County of San Francisco, and then transferred to OCII pursuant to the Option Agreement at no cost. All clearance costs will be paid by the Developer, pursuant to the DDA, and there are no relocation costs. All improvements will be constructed at the development team’s cost. Block 9 is required to be part of the proposed CFD and will be subject to a special tax pursuant to the CFD.

(2)(B)(ii) The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the plan.

The highest and best use value of Block 9 at the time the responses to the RFP were received in December 2012 has been estimated by Keyser Marston Associates, Inc. (“KMA”) to be \$52.44 million. The highest and best use value is the value of Block 9 as a market-rate residential development with 15 percent inclusionary affordable housing (the proposed Block 9 project includes 20% of the total units as inclusionary affordable), or a total of 545 market-rate units and 109 inclusionary affordable units. A memorandum summarizing the highest and best use value calculated by KMA is included with this report as Attachment 2.

(2)(B)(iii) The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent with the redevelopment plan, then the agency shall provide as part of the summary an explanation of the reasons for the difference.

The purchase price in the DDA for Block 9 is \$43,320,000, which is lower than the KMA value due in part to the proposed project’s higher level of inclusionary affordable housing at 20%. The affordable housing units are required in order to comply with Assembly Bill 812 (“AB 812”), which was enacted by the California Legislature in 2003. AB 812 mandates that a total of 35 percent of all residential units developed in the Project Area be affordable to low- and moderate-income households. Even though Block 9 will have 20% inclusionary affordable units, the Project Area overall is on target for meeting the 35% mandate.

(2)(B)(iv) An explanation of why the sale or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

Block 9 was formerly occupied by a portion of the Embarcadero Freeway, which was demolished after the 1989 Loma Prieta Earthquake. After the freeway was demolished, Block 9 was a surface parking lot operated by the State of California. Surface parking was identified as an economic indicator of blight in the 2005 Report on the Redevelopment Plan for the Transbay Redevelopment Project, which was prepared as part of the adoption materials for the Board of Supervisors. The section of the Report on the Redevelopment Plan titled “Underutilized Areas and Vacant Lots” on Page V-8 states, “Given the Project Area’s density and location in the Financial District, surface parking lots do not maximize

the economic and development potential of the lot or area.” Block 9 is identified as an “Underutilized Area” on Figure V-3 in the Report on the Redevelopment Plan. The Developer’s project on Block 9 will assist in the elimination of blight by converting a surface parking lot/construction staging area into a dense, mixed-use residential development.

Prepared by: Pamela Sims, Housing Development Specialist

Attachment 1: Disposition and Development Agreement, December 16, 2015

Attachment 2: Keyser Marston Associates, Inc., Memorandum, January 8, 2015